Schlesinger uses Iran to cut U.S. energy

U.S. Energy Secretary James Schlesinger told Congress this week that the international impact of the ongoing Iranian oil export shutdown is "prospectively more serious" than the 1973 Arab oil embargo. His remarks triggered an immediate and sharp fall in the New York stock market and sharp declines in the U.S. dollar abroad. Substantially changing his remarks of one week before, Schlesinger told members of the Senate Energy Committee that he "personally" favored immediate mandatory conservation measures, but added that this view was not shared by the full Administration.

Schlesinger's remarks were a calculated escalation of a climate of panic being orchestrated around the Iran situation, which has cut off 900,000 barrels a day of U.S. oil, some 5 percent of its total oil consumption. Schlesinger's latest remarks, he stated, were based on his assessment that the political situation in Iran is so unstable that production for export is not likely to be restored for months, possibly years.

Schlesinger also used the occasion to announce that he is submitting emergency plans to the White House within the next 10 days and emergency standby legislation to Congress for approval by Feb. 26, a call for forced closings of gasoline stations during the weekends, forced temperature reduction in buildings and factories, and other mandatory energy "conservation" measures.

A spokesman for Schlesinger termed his remarks "realistic, not pessimistic" adding that his office was "puzzled" by the sharp reaction to Schlesinger's remarks on international markets.

Gross exaggerations

Behind Schlesinger's crisis remarks there is considerable evidence that the U.S. energy czar is using the pretext of Iran to impose austerity measures on the U.S. economy. One well-informed New York banker told the Executive Intelligence Review that the oil shortage is being "grossly exaggerated and Schlesinger is responsible for such exaggeration." He added that according to reliable insider estimates he is optimistic that Iranian exports could resume as soon s the next several weeks.

Another source close to the petroleum industry said that Schlesinger had set the stage for the current situation by refusing to take definite measures such as permitting industrial users and electric utilities to use gas and coal which would considerably reduce oil consumption by as much as 4-500,000 barrels per day.

Three weeks ago, Schlesinger's office announced new emergency standby crude oil allocation rules which, if applied, will give him the authority to ration crude oil supplies to industry, electric utilities, and oil refineries. Schlesinger's energy emergency head, David Bardin, commented that the new rules "are another step to prepare the United States to meet a variety of oil supply interruptions."

One analyst said that under the present circumstances of uncertainty "all it will take now is for one U.S. gasoline producer to go to Washington and tell the White House it cannot get oil, and there will be a real scare. That's how 1973 started." Last week, one small Texas refinery announced that it had closed its refinery for lack of oil to refine.

—William Engdahl

why the Saudis cut back

is known for his ties to the fundamentalist Muslim Brotherhood which was created by the British and still has strong ties to London-based intelligence organizations. This network favors a drastic slowing down of industrialization and oil production, a policy which the London financial machine has favored in order to undercut U.S. presence in the region.

Yamani, as well, has developed since last summer a close relationship to the British Oil Minister Anthony Wedgewood Benn, even inviting Benn — whose country is not in OPEC — to attend OPEC committee meetings.

There are rumors that Fahd, who wants to keep Saudi oil production to a maximum, may countermand Yamani. But Fahd will be hard pressed to justify this move, which will be seen as yet another favor to the United States. Washington sources say that this will require some major breakthrough in U.S. Mideast policy, given the growing impatience toward Washington throughout the Arab world.

DOE: 'to the brink of disaster'

The following are comments made to the Executive Intelligence Review by a spokesman for the Department of Energy on the impact of the Iran political situation on world energy supplies.

EIR: What is the likely impact of the continuing loss of Iranian oil exports?

DOE: Regardless of who heads up the Iranian government, it will be physically impossible for them to resume full production for at least 7-9 months because of the sloppy way the wells were shut in.

EIR: What will this mean for the rest of the world?

DOE: With Iran out of the picture for a sustained period, life is going to be particularly hellish for the Third World.... The dollar will be hard hit. So will Italy. Turkey will be in a disastrous situation to meet its IMF obligations and the loss of 1 million barrels of Saudi oil won't help.... For the U.S., $1 per gallon gasoline (Schlesinger's proposal — ed.) is an affordable nuisance, but for the Third World, it will bring them to the brink of disaster....